

## Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 01380 01 OF 02 281946Z

70

ACTION NEA-13

INFO OCT-01 ISO-00 AGR-20 AID-20 COME-00 EB-11 INRE-00

NSCE-00 SSO-00 IO-14 SS-20 NSC-10 L-03 H-03 CIAE-00

INR-10 NSAE-00 RSC-01 OMB-01 SPC-03 CIEP-02 DRC-01

TRSE-00 LAB-06 SIL-01 FRB-02 /142 W

----- 112964

O 281840Z JAN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 9322

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 1380

FOL SENT FOR YOUR INFO

DEPT PLEASE PASS AMBASSADOR MOYNIHAN

QTE

O R 281215Z JAN 74

FM AMCONSUL MADRAS

TO RUSBAE/AMEMBASSY NEW DELHI NIACT IMMEDIATE 5017

INFO RUSBAY/AMCONSUL BOMBAY 1474

RUSBTA/AMCONSUL CALCUTTA 1358

C O N F I D E N T I A L

LIMITED OFFICIAL USE SECTION 1 OF 2 MADRAS 0107

E.O. 11652: N/A

TAGS: PINT, EAGR

SUBJ: CURRENT FOOD SITUATION AND ITS POLITICAL IMPLICATIONS

REF: NEW DELHI 1328

1. FOOD SITUATION IN SOUTH INDIA.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 01380 01 OF 02 281946Z

A) CROP PROSPECTS: CROP PROSPECTS FOR FOODGRAIN PRODUCTION

IN SOUTH INDIA CONTINUE TO BE PROMISING. THE KHARIF PRODUCTION OF RICE IN ANDHRA PRADESH IS ESTIMATED AT 4.1 MILLION TONS, UP 40 PERCENT OVER LAST YEAR. IN TAMIL NADU RICE PRODUCTION IN 1973-74 IS EXPECTED TO BE 5.7 MILLION TONS, marginally higher than last year. KARNATAKA ALSO EXPECTS INCREASED OUTPUT, WITH KERALA ANTICIPATING A MARGINAL INCREASE IN PRODUCTION. THE ONLY DAMPENING FACTOR IS THE PRODUCTION OF COARSE GRAINS IN ANDHRA PRADESH, WHERE REDUCED YIELDS AND THE SWITCH OF SOME LAND TO COMMERCIAL CROPS LIKE PEANUTS AND COTTON IS EXPECTED TO REDUCE FOOD OUTPUT.

B) FOOD SITUATION: EXCEPT FOR WHEAT, WHICH IS NOT A STAPLE FOOD IN THIS REGION, FOODGRAINS CONTINUE TO BE FREELY AVAILABLE IN SOUTH INDIA, WITH POCKETS OF KERALA AND KARNATAKA ALONE REPORTING OCCASIONAL SCARCITY. ANDHRA PRADESH HAS LIFTED RESTRICTIONS ON INTRA-STATE FOODGRAIN MOVEMENT, WHICH HAS REDUCED PRICE DISPARITIES WITHIN THE STATE. IN TAMIL NADU RESTRICTIONS ON THE MOVEMENT OF RICE FROM THANJAVUR, THE STATE'S RICE BOWL, WERE LIFTED DURING THE CRUCIAL KURUVAI HARVEST PERIOD TO SOFTEN PRICES IN OTHER PARTS OF THE STATE. BUT CONTINUED RESTRICTIONS ON INTER STATE MOVEMENT KEPT OPEN MARKET PRICES IN KARNATAKA, AND ESPECIALLY KERALA, FAR HIGHER THAN IN THE OTHER TWO STATES.

2. LOCAL SOURCES STATE THAT LIFTING OF CURBS ON INTRA STATE MOVEMENT OF RICE HAS SLOWED DOWN GOVERNMENT PROCUREMENT FROM TRADERS AND MILLERS, ESPECIALLY IN ANDHRA PRADESH. THE CROP SEASON, IN SPITE OF A GOOD HARVEST, HAS STARTED WITH PRICES BEING HIGHER THAN LAST YEAR BY ABOUT 10 PERCENT, ENCOURAGING FARMERS TO HOLD BACK marginally on grain sales in the expectation of still higher prices. THIS, COMBINED WITH FARMERS' DESIRE TO BUILD UP STOCKS TO NORMAL INVENTORY LEVELS AFTER A POOR CROP YEAR, COULD RETARD GOVERNMENT PROCUREMENT UNTIL THE HARVESTING OF THE SECOND CROP IS BEGUN. YET, IN SPITE OF THESE INHIBITIONS, CENTRAL GOVERNMENT PROCUREMENT EFFORTS FOR THE PERIOD OCTOBER 1973-JANUARY 1974 HAVE ALREADY NETTED 250,000 TONS OF RICE IN ANDHRA PRADESH, AS COMPARED WITH 325,000 TONS FOR THE YEAR OCTOBER 1972-OCTOBER 1973. FCI OFFICIALS SEEM CONFIDENT THAT THEY WILL PROCURE THEIR FULL STATE TARGET OF 600,000 TONS WELL BEFORE OCTOBER 1974. IT IS TOO EARLY IN THE CROP YEAR TO JUDGE FROM THE AVAILABLE STATISTICS HOW SUCCESSFUL GOVERNMENT PROCUREMENT HAS BEEN IN TAMIL NADU; LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 01380 01 OF 02 281946Z

HOWEVER, BY ALL REPORTS THE HARVEST HAS BEEN GOOD, AND BARRING NATURAL DISASTER WE EXPECT TAMIL NADU TO ACHIEVE THE PROCUREMENT TARGETS SET FOR THE STATE.

3. THE SHORT TERM POLITICAL IMPLICATIONS OF THE CURRENT FOOD SITUATION IN THE SOUTH ARE PROBABLY GOING TO BE MODEST. ALTHOUGH FOOD PRODUCTION IN TAMIL NADU IS FALLING SOMEWHAT SHORT OF TARGETS BECAUSE OF A CURRENT SHORTAGE OF FERTILIZERS AND PESTICIDES,

BECAUSE THE STATE IS BASICALLY SURPLUS IN FOODGRAIN PRODUCTION THE IMMEDIATE LOCAL EFFECTS OF IMPAIRED PRODUCTION WILL BE MINIMAL. HOWEVER THE STATE'S CAPACITY TO HELP OTHER DEFICIT STATES MAY BE CURTAILED, AS WILL TAMIL NADU'S CAPACITY FOR BARTER DEALS, (E.G. RICE FOR POWER). THE CENTER WILL BE BLAMED FOR THE SHORTAGE OF FERTILIZERS AND PESTICIDES AND THERE WILL BE SOME DISILLUSIONMENT WITH THE RULING PARTY; HOWEVER MOST DISILLUSIONMENT AND CYNICISM WILL BE BROADLY DIRECTED AT THE QTE INLEOQTE AND NOT ASSOCIATED EXCLUSIVELY WITH THE FOOD SITUATION.

4. IN KERALA, WHICH IS CHRONICALLY A DEFICIT AREA, AND HEAVILY DEPENDEN  
E E E E E E E

ADP000  
LIMITED OFFICIAL USE

PAGE 01 NEW DE 01380 02 OF 02 281947Z

70  
ACTION NEA-13

INFO OCT-01 ISO-00 AGR-20 AID-20 COME-00 EB-11 INRE-00

NSCE-00 SSO-00 IO-14 SS-20 NSC-10 L-03 H-03 CIAE-00

INR-10 NSAE-00 RSC-01 OMB-01 SPC-03 CIEP-02 DRC-01

TRSE-00 LAB-06 SIL-01 FRB-02 /142 W  
----- 112970

O 281840Z JAN 74  
FM AMBASSY NEW DELHI  
TO SECSTATE WASHDC IMMEDIATE 9323

LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 1380

6. ANDHRA PRADESH IS A RICE SURPLUS STATE WITH A SURPLUS OF FROM BETWEEN 600,000 TO A MILLION TONS A YEAR. IN THIS STATE FOOD IS AVAILABLE ALMOST WITHOUT EFFORTS, A FACTOR CONTRIBUTING TO SHORTRUN AND LONGER-RUN POLITICAL STABILITY. HOWEVER SINCE THE USUAL PRACTICE IS TO FIX TARGETS FROM THE STATE ALL THE WAY DOWN TO INDIVIDUAL RICE MILLERS; RICE MILLERS ARE OBLIGED ONLY TO SELL THE TARGET AMOUNT AT THE GOVERNMENT RATE AND MAY SELL THE BALANCE OFTEN AT EXORBITANT PROFIT IN THE OPEN MARKET. THUS THE PEOPLE OF ANDHRA PRADESH MUST PAY AS MUCH FOR THEIR RICE AS DO THE PEOPLE OF THE DEFICIT STATES. WE DOUBT THAT THERE WILL BE ANY UNREST ARISING FROM THE FOODGRAIN SITUATION IN THE SHORT RUN IN ANDHRA PRADESH. IN THE SHORT AND LONG RUN, SHOULD THERE BE ANY FOOD RIOTS IN ANDHRA PRADESH WE WOULD EXPECT THE CENTER TO TAKE UNUSUALLY SWIFT ACTION LEST ANY DISTURBANCE LEAD TO A RECRUDESCENCE OF SEPARATIST AGITATION.

7. THE FOOD POSITION IN SOUTH INDIA IS, EXCEPT FOR KERALA AND  
SELECTED AREAS IN KARNATAKA, EXPECTED TO REMAIN RELATIVELY  
SATISFACTORY IN THE SHORT RUN, AND EVEN IN THE LONGER RUN  
IF ADEQUATE RAINS COME IN 1974 AND CROP PROSPECTS REMAIN GOOD;  
HOWEVER MANY DISTRICTS OF THE SOUTH ARE UNLIKELY TO REMAIN SURPLUS  
IN FOODGRAIN PRODUCTION IF THE CURRENT SHORTAGE OF FERTILIZERS AND  
LIMITED OFFICIAL USE  
LIMITED OFFICIAL USE

PAGE 02 NEW DE 01380 02 OF 02 281947Z

PESTICIDES CONTINUES (AS THEY HAVE EVERY LIKELIHOOD OF DOING).  
BEHIND ALL THIS IS THE GOVERNMENT'S DEMONSTRATED INABILITY TO  
TAKE OVER THE FOODGRAIN TRADE EFFECTIVELY. THE GOVERNMENT  
PROCUREMENT PRICE HAS SIMPLY NOT BEEN HIGH ENOUGH TO ATTRACT  
THE FARMERS TO SELL THEIR GRAIN TO THE CENTER. FROM THE START THE  
GOVERNMENT WAS AT A DISADVANTAGE BECAUSE OF THE HIGH OPEN MARKET  
PRICES IN ADDITION, INADEQUATE STORAGE FACILITIES AND TRANSPORTATION  
BOTTLENECKS (RAILWAY DISRUPTIONS, SHORTAGE OF RAILROAD CARS, AND  
HIGH COSTS OF ROAD TRANSPORT) HAVE ONLY SERVED TO UNDERLINE THE  
FAILURE OF THE GOVERNMENT'S FOODGRAIN TRADE TAKEOVER. THIS FAILURE,  
COMBINED WITH HOARDING, PROFITEERING, BLACKMARKETING, AND INCREASING  
POCKETS OF SCARCITY IS LIKELY TO CAUSE MORE PROBLEMS  
THAN THE PRODUCTION OF FOODSTUFFS PER SE. IT GOES WITHOUT  
SAYING THAT IN SUCH A SCARCITY ECONOMY THE BOILING POINT  
IS ALWAYS CLOSE AT HAND. TAKEN BY ITSELF THE FOOD SITUATION  
SEEMS MODERATELY GOOD IN THE SOUTH. GOVERNMENT FAILURE TO  
ALLOW SUPPLY AND DEMAND FORCES TO OPERATE FREELY SEEMS TO US  
THE MOST LIKELY CAUSE OF SOME LOSS OF SUPPORT FOR RULING PARTIES  
IN THE SHORT RUN AND OF POSSIBLE RIOTING IN THE LONGER RUN.

8. WE WOULD CONCLUDE WITH A RECOMMENDATION RATHER THAN  
A PREDICTION, THAT THE CENTER GET OUT OF THE FOODGRAIN TRADE  
BEFORE IT MESSES IT UP COMPLETELY.  
EAVES UNQTE SCHNEIDER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOOD SHORTAGE, AGRICULTURAL PRODUCTION, PUBLIC DEMONSTRATIONS, POLICIES, GRAINS, POLITICAL SITUATION, PROVINCIAL GOVERNMENT  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974NEWDE01380  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** NEW DELHI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740112/aaaaaknn.tel  
**Line Count:** 205  
**Locator:** TEXT ON-LINE  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** NEW DELHI 1328  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14-Aug-2002 by boyleja>; APPROVED <04-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CURRENT FOOD SITUATION AND ITS POLITICAL IMPLICATIONS  
**TAGS:** PINT, EAGR, IN  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005